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RHEFDIA/DIA WASHINGTON DC PRIORITY
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC PRIORITY
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TAGS: ELAB PGOV NU
SUBJECT: TRIPARTITE AGREEMENT OVER MINIMUM WAGE RAISE, BUT REFORM STILL LOOMS

REF: A. 2008 MANAGUA 1213
B. 2008 MANAUGA 1187

Classified By: Amb. Robert J. Callahan for reasons 1.4 (b & d)

¶1. (C) SUMMARY: On May 14, a tripartite commission of industry, labor and government representatives reached an agreement over the next minimal wage hike for Nicaraguan workers. This is the first time in four previous rounds (see reftel B) that all three parties reached agreement without the Ministry of Labor (MITRAB) having to issue a formal decree. Beginning May 15, workers in the agriculture sector would receive a 13% increase, while basic service workers would see an 11% change and industrial and government workers an 8% increase to their monthly wages. The tripartite agreement follows a similar March 12 tripartite agreement on wage hikes within Nicaragua's Free Trade Zones (FTZ) and occurs amidst a political battle to reform the minimum wage law. Post believes that the most important battle over any reform to minimum wage laws will be fought within the Sandinista National Liberation Front (FSLN). END SUMMARY

MINIMUM WAGE AGREEMENT OF 8, 11, 13 PERCENT INCREASES

¶2. (SBU) For the first time in recent memory, and after two months of negotiations, industry, labor and government representatives reached a tripartite consensus over the next minimum wage increase (see reftel B). Effective May 15, agricultural workers will receive a 13 percent increase in their wages, or approximately 183 cordobas (US\$9) more per month. In the basic services sector, which includes business, transportation and financial workers, there will be an 11 percent increase. For other labor sectors -- industrial workers (outside of FTZs), domestic servants, government workers and fisherman, as well as small business -- there will be an eight percent increase, or approximately 150 cordobas (US\$7.50) more per month. With low inflation, labor leaders backed away from demanding higher increases on assurances from business representatives that a smaller wage hike would translate into better job security for Nicaraguan workers. Tripartite commission members noted that the worldwide economic crisis and recent wave of job losses in the apparel industry have helped foster a more conciliatory tone among participants. The tripartite commission will meet next on November 19, 2009.

FREE TRADE ZONE MINIMUM WAGE AGREEMENT CAME FIRST

¶3. (SBU) This recent general wage hike comes two months after a separate deal was reached for FTZ workers. On March 12, a tripartite commission of business, labor unions and MITRAB signed a two-year minimum wage agreement for workers within Nicaragua's FTZs. The "Emergency Economic and Labor Agreement" established minimum wage increases of 8 percent in 2009 and 12 percent in 2010 for FTZ workers and calls for the creation of an FTZ tripartite labor commission as a forum for resolving labor issues. The accord's preamble acknowledges the world economic crisis and declares that this agreement was necessary to preserve employment, strengthen FTZ stability and attract investment. Parties to the agreement included seven labor union representatives led by Sandinista Workers, Central (CST) Union President Luis Barbosa, two private businesses, and MITRAB Minister Jeannette Chavez. (NOTE: The FTZ minimum wage agreement is independent of general biennial minimum wage process and incorporates the central reform of a predictable, annual wage adjustment. END NOTE)

POLITICAL BATTLE OVER MINIMUM WAGE REFORM

¶4. (SBU) With this round of wage negotiations now concluded the stage is set for a political battle over reforms to the minimum wage law, which FSLN PUBLIC OPPOSITION - PRIVATE SUPPORT

¶5. (U) During a March session of the GON's Social Cabinet, First Lady and Communication Coordinator Rosario Murillo insisted that it was fundamental to the Sandinista movement to improve the minimum wage at least twice a year, a position also shared by the MITRAB Minister Chavez. FSLN National Assembly Deputy and head of the FSLN caucus Edwin Castro publicly opposed the reforms, echoing populist rhetoric that changing the law would make "Nicaragua's poor poorer and the rich, much richer," and that any opposition deputies who supported the reform would be the potential beneficiaries.

¶6. (C) Embassy contacts in COSEP's labor committee told us that several prominent FSLN members privately supported reforms, including Vice President Jaime Morales, Presidential Advisor for Economic Issues Bayardo Arce, and President of

the Nicaraguan Central Bank Antenor Rosales. Both Arce and Rosales have publicly stated that the GON should adopt a more flexible position on reform to the minimum wage law, arguing that such reforms would help the GON to preserve employment in the formal sector. When the measure comes to a vote, our contacts believe that there would be enough support in the National Assembly to approve the reforms despite FSLN populist rhetoric.

INTERNATIONAL SUPPORT FOR REFORM?

¶7. (C) COSEP representatives told us that they were also developing an additional lobbying strategy for minimum wage reform through international fora. Nicaragua is the only country within the CAFTA-DR free trade agreement and the Central American Integration System (SICA) that has a biennial minimum wage review process. This runs counter to initiatives for greater integration and harmonization of labor laws for the region. COSEP representatives believe that pressure from neighboring countries, nearly all of which are now led by left of center presidents, could also be a factor in helping Nicaragua to change its existing laws.

LABOR UNION REACTION MIXED

¶8. (SBU) In February 2009 FSLN Deputy and Secretary General of the National Workers Front (FNT) trade union Gustavo Porras insisted that the minimum wage law should not be changed. Porras was joined by CST union Secretary General Luis Barbosa in opposing any change, and both leaders threatened to call their union members out into the streets to defend their labor rights. Meanwhile, some non-FSLN affiliated union leaders seemed more amenable to proposed reforms, declaring that it was more important to maintain employment than guarantee biennial wage increases. These leaders from non-FSLN labor unions also emphasized the need for dialogue rather than rhetoric in minimum wage negotiations.

COMMENT

¶9. (C) Although the wage increase is below recent hikes of 15 and 18 percent, it comes at a critical time for Nicaraguan businesses looking to stay afloat in turbulent economic conditions. Moving to a once-a-year review would give the private sector the opportunity to better estimate labor costs and make investments accordingly, and have increased employment stability.

¶10. (C) Post believes that the next phase of the political battle over minimum wage reform could take place publicly between FSLN and Liberal Deputies in the National Assembly, with labor unions, COSEP and MITRAB providing the ammunition. However, the most important fight will be the private one within the FSLN -- between its successful business owners and populist ideologues. In the end, post believes that cooler heads may prevail in the National Assembly to pass reforms to the minimum wage law. If anything, the recent national and FTZ minimum wage agreements, which involved prominent FSLN union leaders, may be prototypes of how the issue could be resolved.

CALLAHAN